

FENNVILLE DISTRICT LIBRARY
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2007

DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

238 Hoover Blvd. ■ Suite 10 ■ Holland, MI 49423 ■ 616.396.0500 ■ FAX 616.396.4170 ■ 62 Center St. ■ P.O. Box 301 ■ Douglas, MI 49406 ■ 269.857.1884

www.cpaholland.com

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Fennville District Library	County Allegan
Fiscal Year End 9/30/07	Opinion Date 1/2/08	Date Audit Report Submitted to State 3 20 08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

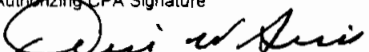
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DeLong & Brower, PC		Telephone Number 616-396-0500	
Street Address 238 Hoover Blvd, Suite 10		City Holland	State MI
		Zip 49423	
Authorizing CPA Signature 	Printed Name David W. Sider	License Number 17758	

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	Page 1
MANAGEMENT'S DISCUSSION AND ANALYSIS	Page 2
FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	Page 4
Statement of Activities	Page 5
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	Page 6
Reconciliation of Balance Sheet of Governmental Funds to Net Assets	Page 7
Statement of Revenue, Expenditures, and Changes in Fund Balances	Page 8
Reconciliation of the Statement of Revenue, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	Page 9
Notes to Financial Statements	Page 10
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule – Operating Fund	Page 17
Budgetary Comparison Schedule – Building Fund	Page 18

DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Holland, Michigan
January 15, 2008

Library Board
Fennville District Library

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville District Library as of and for the year ended September 30, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville District Library as of September 30, 2007 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 17 through 18 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

DELONG & BROWER, P.C.

DeLong & Brower, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fennville District Library (the "Library"), we offer readers of the Library's financial statements this narrative review and analysis of the financial activities for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's financial statements. The Library's basic financial statements are comprised of three components:

1. Government-wide statements
2. Fund financial statements, and
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Statements

The statement of net assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The government-wide financial statements can be found on pages 4 and 5 of this report.

Fund Financial Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Library is accounted for in governmental funds.

Governmental Funds

The Library maintains governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the operating fund and gift and memorial fund. The operating fund is a major fund for financial reporting purposes as defined by GASB Statement #34.

The Library adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found on pages 6 through 9 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Library's financial statements. The notes to the financial statements can be found on pages 10 through 15 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management discussion and analysis and the budgetary comparison schedules found on page 17 and 18 of this report.

Capital Assets

At September 30, 2007, the Library had \$862,026, net of depreciation, invested in capital assets, including land, building, collection material, furniture, and equipment.

Noteworthy events include the purchase of property adjacent to the current library at a significant amount below fair market value. The land was purchased for \$25 plus acquisition costs and the value of the land is estimated at \$30,000. Additional detailed information about the Library's capital assets is presented in the *Notes to the Financial Statements*.

Financial Analysis of the Government's Funds

As of the end of the current fiscal year the combined fund balance of \$794,982 reflects a decrease of \$20,213 from the previous year; a decrease of 3%. During the current fiscal year, revenues increased 16% and expenditures increased 27%.

The Library's primary source of revenue is from property taxes, representing 41% of total Operating Fund revenue. Penal fines are the secondary funding source, representing 28% of total Operating Fund revenue.

Salaries and payroll taxes are a significant expense of the Library, representing 48% of total Operating Fund expenditures.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Fennville District Library, PO Box 1130, Fennville, MI 49408-9215.

**FENNVILLE DISTRICT LIBRARY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

	<u>Governmental Activities</u>
ASSETS	
Cash in Bank	
Checking Account	\$ 55,167
Certificates of Deposit	735,796
Accounts Receivable	546
Due From Other Governmental Units	6,822
Capital Assets less Accumulated Depreciation of \$448,357	862,026
	<hr/>
TOTAL ASSETS	<u><u>\$ 1,660,357</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts Payable	\$ 1,332
Accrued Wages	2,017
	<hr/>
Total Liabilities	<u>3,349</u>
 NET ASSETS	
Investment in Capital Assets	862,026
Unrestricted	794,982
	<hr/>
Total Net Assets	<u>1,657,008</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,660,357</u></u>

The accompanying notes are an integral part of these statements.

**FENNVILLE DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Program Revenues</u>			Governmental Activities
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Programs	\$ 13,745	\$ -	\$ 5,300	\$ (8,445)
General and Administrative	250,918	-	-	(250,918)
Loss on Disposition of Assets	8,029			(8,029)
Depreciation (Unallocated)	34,135	-	-	(34,135)
Total Governmental Activities	<u>\$ 306,827</u>	<u>\$ -</u>	<u>\$ 5,300</u>	<u>\$ (301,527)</u>
General Revenue:				
Property Taxes, Levied for General Purposes				125,870
Penal Fines				87,271
State Sources				11,491
Interest and Investment Earnings				36,091
Contributions				34,030
Other				18,554
Total General Revenue				<u>313,307</u>
Change in Net Assets				11,780
Net Assets at Beginning of Year				<u>1,645,228</u>
Net Assets at End of Year				<u><u>\$ 1,657,008</u></u>

The accompanying notes are an integral part of these statements.

**FENNVILLE DISTRICT LIBRARY
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2007**

	<u>Operating</u> <u>Fund</u>	<u>Building</u> <u>Fund</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
ASSETS			
Cash in Bank			
Checking Account	\$ 34,062	\$ 21,105	\$ 55,167
Certificates of Deposit	610,796	125,000	735,796
Accounts Receivable	546	-	546
Due From Other Governmental Units	6,822	-	6,822
Due (To) From Other Funds	10,000	(10,000)	-
	<hr/>		
TOTAL ASSETS	\$ 662,226	\$ 136,105	\$ 798,331
<hr/>			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,332	\$ -	\$ 1,332
Accrued Wages	2,017	-	2,017
	<hr/>		
Total Liabilities	3,349	-	3,349
<hr/>			
FUND BALANCES			
Unrestricted			
Undesignated Available for			
General Activities	658,877	136,105	794,982
	<hr/>		
Total Fund Balances	658,877	136,105	794,982
<hr/>			
TOTAL LIABILITIES AND FUND BALANCES	\$ 662,226	\$ 136,105	\$ 798,331
<hr/>			

The accompanying notes are an integral part of these statements.

**FENNVILLE DISTRICT LIBRARY
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS
SEPTEMBER 30, 2007**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 794,982
---	-------------------

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds:

The cost of capitalized assets is	\$ 1,310,383	
Accumulated depreciation is	<u>(448,357)</u>	
		862,026

TOTAL NET ASSETS	\$ 1,657,008
-------------------------	---------------------

**FENNVILLE DISTRICT LIBRARY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Operating</u> <u>Fund</u>	<u>Building</u> <u>Fund</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
REVENUE			
Local Sources			
Property Taxes	\$ 125,870	\$ -	\$ 125,870
Penal Fines	87,271	-	87,271
Service Fees	5,000	-	5,000
Interest	29,548	6,543	36,091
Contributions	34,030	-	34,030
Grant Revenues	5,300	-	5,300
Other	13,554	-	13,554
State Sources	11,491	-	11,491
Total Revenue	312,064	6,543	318,607
EXPENDITURES			
Salaries, Wages and Payroll Taxes	158,831	-	158,831
Office Supplies	5,280	-	5,280
Books and Periodicals	23,038	-	23,038
Library Supplies	3,325	-	3,325
South Haven Non-Resident Cards	1,536	-	1,536
Co-op Services	18,124	-	18,124
Programs	6,830	-	6,830
Training and Seminars	2,508	-	2,508
Insurance	5,022	-	5,022
Utilities	19,517	-	19,517
Repairs and Maintenance	27,038	3,150	30,188
Audit	4,235	-	4,235
Professional Fees	817	-	817
Technology Charges	5,378	-	5,378
Miscellaneous	1,757	-	1,757
Capital Outlay	52,434	-	52,434
Total Expenditures	335,670	3,150	338,820
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(23,606)	3,393	(20,213)
OTHER SOURCES/(USES)			
Operating Transfers	12,000	(12,000)	-
Total Other Sources/(Uses)	12,000	(12,000)	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER SOURCES/(USES)	(11,606)	(8,607)	(20,213)
FUND BALANCE AT BEGINNING OF YEAR	670,483	144,712	815,195
FUND BALANCE AT END OF YEAR	\$ 658,877	\$ 136,105	\$ 794,982

The accompanying notes are an integral part of these statements.

**FENNVILLE DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2007**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (20,213)**

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement
of Activities, these costs are allocated over their estimated useful lives
as depreciation

Depreciation Expense	\$ (34,135)	
Loss on Disposition	(8,029)	
Capital Outlay	<u>51,119</u>	
		8,955

Governmental funds report purchase of books and materials as expenditures;
in the Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation

Depreciation Expense	\$ -	
Capital Outlay	<u>23,038</u>	
		23,038

CHANGE IN NET ASSETS	<u>11,780</u>
-----------------------------	---------------

NET ASSETS AT BEGINNING OF YEAR	<u>1,645,228</u>
--	------------------

NET ASSETS AT END OF YEAR	<u><u>\$ 1,657,008</u></u>
----------------------------------	----------------------------

The accompanying notes are an integral part of these statements.

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 1: General Statement

The Fennville District Library is organized under the laws of the State of Michigan and is governed by an eight-member board. The Library provides services to the surrounding areas. They receive support from the City of Fennville and the Townships of Clyde, Casco, Ganges, Manlius, and Lee.

NOTE 2: Summary of Significant Accounting Policies

The accounting policies of Fennville District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library.

Reporting Entity

The Fennville District Library is the lowest level of government which has oversight responsibility and control over all activities of the library. The library receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined in NCGA Statement 3 since Library Board members have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the library's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major governmental fund:

Operating Fund - The Operating Fund is used to account for all Library resources and expenditures except for those required to be accounted for in another fund.

The Library reports the following non-major governmental fund:

Building Fund - The Building Fund is used to account for revenue sources that are restricted to expenditures for building improvements and maintenance.

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 2: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

State statutes and the Library's investment policy authorize the Library to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; the Library is allowed to invest in U.S. Treasury or Agency obligations, U.S. Government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchases which mature not more than 270 days after the date of purchases, and mutual funds and investment pools that are composed of authorized investment vehicles. The Library's deposits are in accordance with statutory authority.

Cash and investments include certificates of deposit. Investments are stated at fair value. At September 30, 2007, the bank balance of the Library's deposits was \$794,093 of which \$297,631 was covered by federal depository insurance and \$496,462 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Capital Assets

Capital assets, which include land, leasehold improvements, buildings, equipment, and library materials are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Leasehold Improvements, buildings, equipment, and books are depreciated using the straight-line method over the following useful lives:

Land Improvements	20 years
Furniture and other equipment	5-10 years
Books and other materials	5-10 years
Buildings	25 years

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications

Comparative data is not included in the Library's financial statements.

Use of Estimates

The preparation of financials statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues, and expenditures during the period. Actual results could differ from those estimates.

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the operating and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the library to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend their budgets during the year. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end. There were no encumbrances as of September 30, 2007.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Library had expenditures in excess of budget as disclosed in Note 6.

Fund Deficits

The Library has no accumulated fund balance deficits at September 30, 2007.

NOTE 4: DONATED MATERIALS AND SERVICES

Donated materials and equipment are reflected, if material, as contributions in the accompanying statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services.

NOTE 5: PROPERTY TAXES

Property taxes levied by the Library are collected in various municipalities and periodically remitted to the Library. The taxes are levied as of December 1 on the taxable value of the property as of the preceding December 31. The actual due date is February 14 after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. The 2006 ad valorem tax is recognized as revenue during the 2006-2007 fiscal year.

The 2006 taxable value totaled \$ 360,876,484 on which taxes levied consisted of .3500 mills for Library operating purposes. The amount is accounted for in the General Fund.

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 6: EXPENDITURES IN EXCESS OF BUDGET

Uniform Accounting and Budgeting Act, P.A. 2 of 1968, as amended, requires that expenditures shall not be in excess of the amount budgeted.

During the year ended September 30, 2007, the Library incurred expenditures in excess of budget as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over- Expenditure</u>
Operating Fund			
Office Supplies	\$ 4,900	\$ 5,280	\$ 380
Library Supplies	3,000	3,325	325
Programs	2,650	6,830	4,180
Training and Seminars	2,350	2,508	158
Insurance	5,000	5,022	22
Repairs and Maintenance	20,568	27,038	6,470
Miscellaneous	800	1,757	957
Capital Outlay	2,000	52,434	50,434
Building Fund			
Repairs and Maintenance	2,000	3,150	1,150

NOTE 7: INVESTMENTS

At year end, the Library had \$735,796 invested in certificates of deposit. The carrying value of the investments approximates the market value at the balance sheet date.

Certificates of deposit at financial institutions on September 30, 2007 were as follows:

<u>Bank</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Value</u>
Macatawa Bank	11/5/2007	5.18%	\$ 60,000
Macatawa Bank	12/6/2007	4.89%	200,000
Macatawa Bank	12/25/2007	5.37%	50,000
Chemical Bank	2/7/2008	4.89%	150,000
Chemical Bank	12/11/2007	4.95%	100,000
Chemical Bank	5/5/2008	4.89%	50,000
Chemical Bank	1/29/2008	4.41%	45,796
Chemical Bank	6/24/2012	1.30%	5,000
Paragon Bank	8/13/2008	4.67%	75,000
Total			<u>\$ 735,796</u>

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 8: CAPITAL ASSETS

Capital asset activity of the Library's governmental activities was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated:				
Land	\$ 20,000	\$ 30,000	\$ -	\$ 50,000
Capital assets being depreciated:				
Land Improvements	25,215	-	-	25,215
Building	1,118,041	-	(13,381)	1,104,660
Furniture & Equipment	97,633	21,119	(11,282)	107,470
Books & Materials	-	23,038	-	23,038
Subtotal	1,240,889	44,157	(24,663)	1,260,383
Accumulated Depreciation:				
Land Improvements	14,814	1,261	-	16,075
Building	342,417	27,743	(5,352)	364,808
Furniture & Equipment	73,625	5,131	(11,282)	67,474
Books & Materials	-	-	-	-
Subtotal	430,856	34,135	(16,634)	448,357
Net capital assets being depreciated	810,033	10,022	(8,029)	812,026
Net capital assets	\$ 830,033	\$ 40,022	\$ (8,029)	\$ 862,026

REQUIRED SUPPLEMENTAL INFORMATION

**FENNVILLE DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUE				
Local Sources				
Property Taxes	\$ 120,000	\$ 120,000	\$ 125,870	\$ 5,870
Penal Fines	92,200	92,200	87,271	(4,929)
Service Fees	5,000	5,000	5,000	-
Interest	24,300	24,300	29,548	5,248
Contributions	1,500	1,500	34,030	32,530
Grant Revenues	-	-	5,300	5,300
Other	8,100	8,100	13,554	5,454
State Sources	10,900	10,900	11,491	591
Total Revenue	262,000	262,000	312,064	50,064
EXPENDITURES				
Salaries, Wages and Payroll Taxes	159,278	159,278	158,831	(447)
Office Supplies	4,400	4,900	5,280	380
Books and Periodicals	23,100	23,100	23,038	(62)
Library Supplies	3,200	3,000	3,325	325
South Haven Non-Resident Cards	4,000	2,000	1,536	(464)
Co-op Services	18,254	19,054	18,124	(930)
Programs	3,300	2,650	6,830	4,180
Training and Seminars	1,950	2,350	2,508	158
Insurance	5,000	5,000	5,022	22
Utilities	21,950	21,950	19,517	(2,433)
Repairs and Maintenance	9,100	20,568	27,038	6,470
Audit	2,985	4,235	4,235	-
Professional Fees	1,315	1,315	817	(498)
Technology Charges	3,000	5,800	5,378	(422)
Miscellaneous	700	800	1,757	957
Capital Outlay	4,500	2,000	52,434	50,434
Total Expenditures	266,032	278,000	335,670	57,670
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,032)	(16,000)	(23,606)	(7,606)
OTHER SOURCES/(USES)				
Operating Transfers	-	-	12,000	12,000
Total Other Sources/(Uses)	-	-	12,000	12,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES/(USES)	\$ (4,032)	\$ (16,000)	\$ (11,606)	\$ 4,394

**FENNVILLE DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUILDING FUND
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUE				
Local Sources				
Interest	\$ 4,000	\$ 4,000	\$ 6,543	\$ 2,543
EXPENDITURES				
Repairs and Maintenance	2,000	2,000	3,150	1,150
Capital Outlay	5,000	5,000	-	(5,000)
Total Expenditures	<u>7,000</u>	<u>7,000</u>	<u>3,150</u>	<u>(3,850)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,000)</u>	<u>(3,000)</u>	<u>3,393</u>	<u>6,393</u>
OTHER SOURCES/(USES)				
Operating Transfers	-	-	(12,000)	(12,000)
Total Other Sources/(Uses)	<u>-</u>	<u>-</u>	<u>(12,000)</u>	<u>(12,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES/(USES)	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (8,607)</u>	<u>\$ (5,607)</u>

DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

January 15, 2008

Board of Directors
Fennville District Library

In connection with our audit of the books and records of the Fennville District Library at September 30, 2007, we wish to make the following comments and recommendations:

1. During the fiscal year ended September 30, 2007 there were expenditures in excess of the amount budgeted for various accounts. To comply with PA 2 of 1968 Uniform Accounting and Budgeting Act, we recommend budget figures be reviewed periodically and amended as needed to adjust for changes during the year.
2. In accordance with PA 2 of 1968 Uniform Chart of Accounts for Counties and Local Units of Government in Michigan, all governmental units must use the chart of accounts as prescribed by the State of Michigan. We noted that during the year ended September 30, 2007 the required chart of accounts was not used. We recommend management investigate and implement the appropriate chart of accounts.
3. During our audit work it became apparent that daily receipts were not accounted for on a regular basis. It is our understanding that subsequent to the date of our audit a cash register has been put into use. We recommend that each days' receipts be matched against the cash register totals and be deposited weekly.
4. Given the nature and size of your organization, proper segregation of duties may not be possible. However, effective internal controls require the appropriate segregation of duties. We recommend that in addition to having a board member sign each check, that the board member also initial the accompanying invoice to indicate that it has been reviewed and approved. In addition, we recommend that the board or a board member review the monthly bank reconciliations for any irregularities.
5. We recommend that the services of Jane Wright continue to be utilized as we feel they are a great benefit to the library as she provides accounting oversight as well as improved accuracy of the accounting records.

We have appreciated the opportunity to work with individuals who are committed to Fennville District Library and its patrons.

Respectively submitted,

DELONG & BROWER, P.C.



Certified Public Accountants